

DEBT MANAGEMENT

The City manages its long term financing needs through periodic issuance of General Obligation Bonds. Debt service expenditures include principal and interest payments on the City's outstanding bonded debt. These payments are budgeted in the funds that incur the debt: for example, water and sewer debt service is paid from the Water and Sewer Fund. In addition to General Obligation bonds, the City issues revenue bonds and enters into installment sales/lease obligations as allowed under state statutes.

Ratings: Bond ratings are measures of the City's credit worthiness. The rating agencies analyze the City's economic condition, debt management, administrative leadership and fiscal planning and management to determine the quality of the City's credit. The City has a "triple A" rating from all three rating agencies (Standard and Poor's, Fitch IBCA and Moody's Investor Service). This represents the highest possible rating for municipal debt, indicating that the City has outstanding credit worthiness. The City's high bond ratings have allowed it to broaden the market for its bonds and to lower the interest costs for borrowing.

General Obligation Bonds

Bonds Issued

The City's General Obligation bonds are the only indebtedness to which the City's full faith and credit is pledged. Below is breakdown of the General Obligation bonds issued by function.

Fiscal Year 2003-04 Obligations

	Principal	Interest	Total
General	\$6,274,510	\$5,086,375	\$11,360,885
Water & Sewer	\$6,575,527	\$4,465,962	\$11,041,489
Solid Waste	\$1,571,617	\$1,456,336	\$3,027,953
Civic	\$926,588	\$131,290	\$1,057,878
Transit	\$51,757	\$19,397	\$71,154
Total	\$15,399,999	\$11,159,360	\$26,559,360

Interest includes variable payments.

Future Obligations

	Principal	Interest	Total
General	\$85,574,065	\$36,765,025	\$122,339,090
Water & Sewer	\$80,017,258	\$25,364,491	\$105,381,749
Solid Waste	\$33,347,639	\$13,355,691	\$46,703,330
Civic	\$1,372,714	\$104,867	\$1,477,581
Transit	\$323,325	\$51,012	\$374,337
Total	\$20,063,500	\$75,641,086	\$276,276,087

Authorized and Unissued: The following is a representation of authorized General Obligation bonds outstanding as of April 30, 2003.

Authorization	Amount
Housing	11,286,000
Parks and Recreation	2,603,000
Public Transportation	1,715,000
Streets	11,168,000
Total	\$26,772,000

Legal Debt Limit:

The City is subject to the Local Government Bond Act. The Act limits the net bonded debt that the City may have outstanding to eight percent of the appraised value of property subject to taxation. As of January 1st, 2003 the statutory limit for General Obligation debt for the City was \$1,116,788,366. With \$242,807,000 of outstanding General Obligation debt projected for June 30th, 2003, the City's remaining debt capacity will be approximately \$873,981,366.

Contracts Payable

Lease/Installment Sales:

The City has contracts payable to the New Durham Corporation with terms of twenty years with principal and interest due annually. The following is a summary of these payments by fund:

Fiscal Year 2003-04 Obligations

	Principal	Interest	Total
General	\$4,138,616	\$2,274,502	\$6,413,118
Ballpark	\$645,000	\$310,365	\$955,365
Parking Facilities	\$705,000	\$296,970	\$1,001,970
Total	\$5,488,616	\$2,881,837	\$8,370,453

Future Obligations

	Principal	Interest	Total
General	\$39,048,704	\$16,721,416	\$55,770,120
Ballpark	\$7,005,000	\$1,089,330	\$8,094,330
Parking Facilities	\$5,830,000	\$1,174,700	\$7,004,700
Total	\$51,883,704	\$18,985,446	\$70,869,150

Continuing Contracts:

The City also has contracts payable to Durham Risk Management Corporation with respect to the payment of two series of certificates of participation (COPs) in an aggregate amount of \$31,100,000 in principal. The certificates provide funds to capitalize the City's risk related activities. Following is a summary of the payments due:

Fiscal Year 2003-04

Claims Fund

	Principal	Interest	Total
1993 Series A COPs	\$1,000,000	\$561,125	\$1,561,125
1993 Series B COPs	\$10,300,000	\$0	\$10,300,000
Total	\$11,300,000	\$561,125	\$11,861,125

Future Obligations

Claims Fund

	Principal	Interest	Total
1993 Series A COPs	\$4,000,000	\$520,000	\$4,520,000
Total	\$4,000,000	\$520,000	\$4,520,000

Revenue Bonds

The City's Revenue bonds are payable solely from the revenues generated from the purpose they were issued. Below is a breakdown of the revenue bonds issued by fund:

Fiscal Year 2003-04

	Principal	Interest	Total
General Fund-			
Durham Hosiery Mill	\$65,000	\$388,400	\$453,500
Water & Sewer	\$2,085,000	\$2,319,250	\$4,404,250
Total	\$2,150,000	\$2,798,260	\$4,857,750

Future Obligations

	Principal	Interest	Total
General Fund-			
Durham Hosiery Mill	\$5,115,000	\$6,607,125	\$11,722,125
Water & Sewer	\$44,235,000	\$19,703,097	\$63,938,097
Total	\$49,350,000	\$26,310,222	\$75,660,222

State Loan

The City is obligated to repay loans from the State of North Carolina to fund projects for its water and sewer operations.

Fiscal Year 2003-04

	Principal	Interest	Total
Water & Sewer	\$885,000	\$378,866	\$1,263,866

Future Obligation

	Principal	Interest	Total
Water & Sewer	\$9,930,000	\$2,188,790	\$12,118,790